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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

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Application Number: # 19-05A Date of Receipt:
To be assigned by Agency

ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Outpatient Clinic in West Oahu

Project Address: 91-6390 Kapolei Parkway
Kapolei, HI 96707

Applicant Facility/Organization: Queen's Development Corporation

Name of CEO or equivalent: Bernadette Merlino

Title: President, Queen's Development Corporation / Vice President, Ambulatory Services, The Queen's Health Systems

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: (808) 691-4878 Fax Number: (808) 691-7990

Contact Person for this Application: Paula Yoshioka

Title: Vice President of Government Relations and External Affairs

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: (808) 691-7996 Fax Number: (808) 691-7990

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Bernadette Merlino
Signature

3/8/19
Date

Bernadette Merlino
Name (please type or print)

President, QDC / VP, QHS
Title (please type or print)

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1. TYPE OF ORGANIZATION: (Please check all applicable)

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation X
- Partnership _____
- Limited Liability Corporation (LLC) _____
- Limited Liability Partnership (LLP) _____
- Other: _____

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2. PROJECT LOCATION INFORMATION

A. Primary Service Area(s) of Project: (please check all applicable)

- Statewide: _____
- O'ahu-wide: _____
- Honolulu: _____
- Windward O'ahu: _____
- West O'ahu: X
- Maui County: _____
- Kaua'i County: _____
- Hawai'i County: _____

3. DOCUMENTATION (Please attach the following to your application form):

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)

Attachment I

B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)

- Certificate of Need – State Health Planning and Development Agency
- Permit for Tenant Improvement – City and County of Honolulu

C. Your governing body: list by names, titles and address/phone numbers

Attachment II

D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:

- Articles of Incorporation: Attachment III
- By-Laws: Attachment IV
- Partnership Agreements: N/A
- Tax Key Number (project's location): 1-9-112-59

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4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

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	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility			X		
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
N/A	N/A	N/A	N/A
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:		AMOUNT:
1.	Land Acquisition	<u>N/A</u>
2.	Construction Contract	<u>\$5,606,140</u>
3.	Fixed Equipment	<u>\$1,070,000</u>
4.	Movable Equipment	<u>\$698,676</u>
5.	Financing Costs	<u>N/A</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$588,000</u>
7.	Other: _____	_____
TOTAL PROJECT COST:		<u>\$7,962,816</u>

B. Source of Funds

1.	Cash	<u>\$7,962,816</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____
TOTAL SOURCE OF FUNDS:		<u>\$7,962,816</u>

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7. **CHANGE OF SERVICE:** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

The proposed project is the addition of a new location of an existing service in Kapolei Parkway, Kapolei, Hawaii. The proposed outpatient clinic will provide family medicine services to the West Oahu region.

8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project: **July 1, 2018**
- b) Dates by which other government approvals/permits will be applied for and received: **March 2019**
- c) Dates by which financing is assured for the project: **N/A**
- d) Date construction will commence: **September 2019**
- e) Length of construction period: **5 months**
- f) Date of completion of the project: **January 2020**
- g) Date of commencement of operation: **January 2020**

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

The Queen's Development Corporation (QDC) – a subsidiary of The Queen's Health Systems (Queen's) plans on operating and providing primary care family medicine services for the West Oahu community at an additional location in Kapolei. The goal of QDC is to establish a primary care outpatient clinic which will create greater access to high quality ambulatory care in the West Oahu community so that care is delivered at the right place, at the right time, with the right resources.

A) Relationship to the State of Hawai'i Health Services and Facilities Plan.

The primary care outpatient clinic meets the following objectives of the Health Services and Facilities Plan and the West Oahu Subarea Health Planning Council priorities by creating access to primary care services in the West Oahu region and optimizing health care services in the community to promote cost-effective delivery of necessary services. The expansion of

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primary care for the West Oahu community supports and promotes the long-term viability of the health care delivery system by increasing accessibility while maintaining the high quality care that The Queen's Health Systems provides for our state and the Pacific Basin. Our system will benefit from the increased capacity of primary care services and provide relief to our strained emergency rooms by ensuring that preventative services and the appropriate level of care are available to the community. In addition, timely and appropriate access to primary care services will help to address chronic, complex care issues currently experienced in the West Oahu region directly due to lack of access to primary care services. Additional physicians and APRNs are included in the expansion and will advance care services, streamline workflows and support the growing needs for primary care services in the West Oahu region.

The project will optimize the health care system performance by improving patient experience and the health of our community, while reducing per capita costs for health care services by delivering urgent/unscheduled care as a part of an integrated network of providers. This project aligns with the West Oahu SAC priorities by improving and increasing access to routine outpatient diagnostic and primary care services. Through the Queen's mission of providing quality health care services to Native Hawaiians and all the people of Hawaii, the new primary care outpatient clinic will create access for our uninsured and underinsured patients, regardless of their ability to pay. Access to services will be available to all patients, adults and children, racial and ethnic minorities, women, persons with disabilities, and other underserved groups. Queen's is fully committed to the continued community engagement, which will facilitate and strengthen partnerships with community providers. Such partnerships are vital in ensuring that care collaboration is optimized in an integrated system with improved timeliness and cost-effective means for delivery of health care services.

B) Need and Accessibility

According to the University of Hawaii's Physician Workforce Assessment, the State of Hawaii is facing a shortage of 769 doctors, of which primary care faces the largest shortage statewide. Oahu faces a shortage of 381 doctors, of which 187 are primary care physicians. This challenge as well as the challenges related to federal reimbursement models dependent on serving the community through primary care and the increased aging of a population for which access to primary care is key in preventing unnecessary emergency room visits and hospitalization make continued access to primary care a priority. Queen's continually strives to promote and provide the most cost-effective quality care, with better outcomes. To ensure that the right care is delivered at the right place and at the right time, seeks to build the primary care outpatient clinic to improve access to outpatient services by leveraging quality and convenience for our community.

Detailed analysis shows significant gaps in primary care and pediatrics, specialty, and primary care ancillary support for West Oahu residents. The analysis shows that the need is disproportionately chronic care due to longstanding care access gaps. Physician shortages in both primary care and key specialties can be alleviated by development of this site, which addresses consumer access, primary care development, and growth of ambulatory volumes and services. Over 250 calls (per month) to the Queen's Physician Referral Line are requests for a primary care provider in West Oahu.

As health care needs and experiences have grown increasingly complex over the past decade, Queen's is working to deliver more value-based care to patients and community in order to meet the demands of our patients and community. The Queen's Medical Center - West Oahu has consistently experienced increasing volumes in the Emergency Department, with approximately

60,000 emergency visits annually. As our health care system continues to evolve, Queen's seeks to maximize our expertise as health care providers to deliver a lean and effective model of expanded primary care services for our patients and provide additional relief to our emergency department.

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C) Quality of Service/Care

QDC is committed to quality health care and services. As the primary care outpatient clinic and subsidiary of The Queen's Health Systems, QDC provides health care supportive services across the State of Hawaii. QDC operates and manages the Queen's Physician Office Buildings and pharmacies, Diagnostic Laboratory Services, Inc. and The Queen's Health Care Centers, which includes seven primary care locations on Oahu, Hawaii Island, and Kauai. The provision of a wide range of services through QDC demonstrates Queen's commitment to quality of care across the state through an integrated network of care. QDC maintains a clear, standardized system for quality and safety, through our experienced ambulatory infrastructure and support, QDC has the expertise necessary to ensure

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For over 150 years, Queen's has provided quality health care services to Hawaii, with a strong commitment to education, research, innovation, and quality, Queen's continues to be at the forefront in medical care, while delivering care with the performance standard of putting patients first. As a subsidiary of The Queen's Health Systems, QDC is a part of Hawaii's oldest and preeminent family of health care-related companies. Queen's is nationally recognized for many achievements such as achieving accreditation by The Joint Commission, being the first and only Magnet Recognition hospital in Hawaii, and being the recipient of the American Heart Association/American Stroke Association's Gold Plus Quality Achievement.

D) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The primary care outpatient clinic will have little to no impact on the overall costs of health services to the community since funding will come from Queen's internal resources and strategic partnerships. The expansion of primary care services to Kapolei was approved through our internal budgeting process in February 2018. Please see Attachment V. The Queen's Health Systems believes that this project will help address chronic, complex care issues currently existing in the West Oahu region directly due to lack of access to primary care services. As such, investing in this primary care outpatient clinic is on a long-term basis. Although investments will be ongoing, we recognize the value and benefit for the community in other downstream areas of care delivery, such as improved population health, quality, and value-based care benefits. By streamlining the delivery of care, overtime we will reduce costs for the system by focusing on quality outcomes and population health goals within the patient centered primary care model, and ensure optimization of the care delivery system.

E) Relationship to the existing health care system

The proposed project will strengthen the existing health care system as it is in response to current and existing demand for primary care services in the West Oahu region. The primary care outpatient clinic will ensure continued access to urgent/unscheduled primary care services and will strengthen the continuum of care by becoming a part of The Queen's Health Systems, where patients will be able to access Queen's networked providers and services.

F) Availability of Resources.

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QDC has access to sufficient resources and necessary funds required to equip, staff, management personnel, and operate services proposed project. The Queen's Health Systems maintains experienced human resources professionals that continue to ensure appropriate personnel and medical professionals are hired as necessary for the continuation of our high quality health care standards, services, and access for all our facilities and hospital campuses.

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G) **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

- It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
- It is a change of ownership, where the change is from one entity to another substantially related entity.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.